

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 23, 2004

S. 2845 Intelligence Reform and Terrorism Prevention Act of 2004

As cleared by the Congress on December 3, 2004 and signed by the President on December 17, 2004

SUMMARY

S. 2845, enacted as Public Law 108-458, will affect the intelligence community, terrorism prevention and prosecution, and border security, as well as U.S. activities involving international cooperation and coordination. Most provisions contained in the legislation authorize increases in spending subject to appropriation, but do not affect direct spending or revenues. However, CBO estimates that section 2005 of the act, which deals with the mandatory retirement age of certain employees of the Federal Bureau of Investigation (FBI), will reduce direct spending on retirement annuities and health care benefits by \$1 million over the 2005-2014 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated impact of Public Law 108-458 on direct spending is shown in the following table. The decrease in direct spending, which totals \$1 million over the 2005-2014 period, falls within budget functions 550 (health) and 600 (income security). The act would not affect federal revenues

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Changes in outlays Changes in receipts	0	0	-1	0	0 Not Ap	0 plicable	0	0	0	0

BASIS OF ESTIMATE

Section 2005 provides the FBI with the ability to allow agents to remain at the agency beyond the age of 60. Under prior law, FBI agents were required to retire at age 57, although the agency's director could waive that requirement until the agent turned 60. Information provided by the FBI indicates that the agency typically issues waivers to between 25 and 75 employees annually. This section allows the Director to waive the mandatory retirement requirement until age 65. This change will last though the end of 2007, at which time the waiver authority will revert to prior law. By expanding the current waiver authority, the act will cause some FBI employees to retire later than they otherwise would have. As a result, outlays for retirement annuities will fall in the near term. However, after 2007, small annual increases in the cost of annuities will occur because agents retiring later will have more years of service at higher salaries.

Federal employees who begin collecting annuity payments immediately after retirement are also entitled to continued health care benefits, which are paid in part by direct spending. Therefore, reducing retirements in the short term will also result in a reduction in direct spending on health care.

CBO estimates this section will reduce direct spending for retirement annuities and health care benefits by less than \$500,000 in 2005 and 2006, and by \$1 million in 2007. Over the 2005-2014 period as a whole, the estimated savings total \$1 million.

PREVIOUS CBO ESTIMATES

On October 4 and 5, CBO transmitted estimates for H.R. 10 as reported by the following committees: the House Committee on Armed Services, the House Permanent Select Committee on Intelligence, the House Committee on the Judiciary, the House Committee on Government Reform, and the House Committee on Financial Services. These all contained estimates of a provision similar to the one in Public Law 108-458 that would allow the Director of the FBI to waive mandatory retirement for certain employees until age 65. However, the expanded waiver authority contained in H.R. 10 was authorized through the end of 2009 rather than 2007. CBO estimated this version of the waiver authority would decrease direct spending on retirement annuities and health benefits by less than \$500,000 in 2005 and \$2 million over the 2005-2014 period.

ESTIMATE PREPARED BY: Geoffrey Gerhardt

ESTIMATE APPROVED BY:

Robert A. Sunshine Assistant Director for Budget Analysis